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Alina Szypulewska-Porczyńska*

INTEGRATION OF FINANCIAL MARKETS IN THE EUROPEAN UNION AFTER 2018[1]

INTRODUCTION

The aim of the analysis is not to answer the question whether or to what extent the exit of the United Kingdom from the European Union will weaken the integration of financial markets within this group. The answer to the first part of the question is in the affirmative. The British Prime Minister negatively referred to the plan for her country to remain a member of the internal market, and previous negotiations aimed at agreeing on a framework for future EU-UK relations produced very limited results. As for the quantitative estimation of the effects, due to the complexity of the issue, the models seem to be a far-flawed

* prof. of SGH WarsawSchool of Economics dr hab., J. Monnet Department of European Integration SGH Warsaw School of Economics.

1 The study was carried out with funds for statutory activity from the Ministry of Science and Higher Education grant for maintaining the research potential for 2017, and the results were presented at the Association Internationale des Economistes de Langue Française conference in May 2017 in Poznań. They will be the subject of publication in 2018 in*Actes du 60-čme Congrčs de l'AIELF* « Les enjeux du développement économique, financier et écologique dans une mondialisation risqué » eds. A. Redslob, K. Malaga and B. Woęniak – Jćchorek (Ëditions de l'Université des Sciences Ëconomiques et de Gestion de Poznań).

tool. Not only because the conditions under which cooperation between the EU and the United Kingdom will not be known after leaving the group. First of all, because the existing links within the internal market are a kind of 'ecosystem'. It is formed in particular from an economic perspective – by the relationship between the freedoms of the internal market and ways of providing services, from a political perspective – by different forms that the integration process takes in the EU and, which is extremely important, by the links between EU policies on objectives and results.

The considerations undertaken in the analysis are aimed at identifying the main factors that will strengthen or weaken a negative influence of Brexit on the process of integration of financial market in the EU. The analysis begins with an explanation of what the integration within the internal market for financial services is and what its status is. The state of *de jure* and *de facto* integration is examined. Against this backgroundthe author shows the position of Great Britain on the EU internal market in the field of trade in services under terms of membership and possible alternative ways of accessing the internal market after leaving the Union.

WAYS AND RULES OF TRADING IN FINANCIAL SERVICES ON THE EU INTERNAL MARKET

The analysis of the rules for the flow of financial services in the internal market should start with the attention to the diverse forms that international trade in services can take. Traditional trade in services, like trade in tangible goods, consists of crossing the border by the service itself. Such transactions, as well as others that take place between resident and non-resident, are recorded in the balance of payments. The second stream of services in international trade is generated on the basis of the commercial presence of the service provider in the consumer's country. In the classic form it takes the form of establishing a company abroad.

The issue of the various ways in which the service may be provided in international trade has been resonant with the obligations assumed by the EU Member States, primarily under EU law, but also within the WTO, and more specifically the GATS agreements. The flow of services on the internal market is based on two fundamental freedoms: freedom of establishment and freedom to provide services[2]. In the light of the treaties, the right of establishment is superior to the right to provide services freely, and the provision of services in the recipient country as part of the free provision of services may take place 'temporarily'. And although GATS provides 4 ways of providing services[3], the structure of currently concluded international agreements indicates that two

[2] Two other freedoms, i.e. the movement of persons and capital, are also connected with trade in services on the internal market.

[3] They are: method 1-cross-border trade-; method 2 -consumption abroad; method 3 - commercial presence; method 4 - presence of natural persons.

methods are of key importance for international trade in services: cross-border flows of services and the one based on a foreign subsidiary. The general rule in the internal market is the prohibition of discrimination on grounds of national origin, and derogating provisions may be introduced with regard to the right of establishment and services if justified on grounds of public policy, public security or public health[4].

The solutions adopted in the EU in the field of trade in financial services in the internal market go much further. First of all, they were applied to the banking markets, then also to the integration of other types of financial services. At the beginning (until the mid-1970s), the focus was on removing barriers that discriminate against service providers from other Member States. After that, harmonizing banking regulations became their permanent element. With the introduction of a single license, also known as a 'passport', the requirement to settle inorder to provide services in another EU Member State has disappeared. The license granted by the authorities of the country of residence was sufficient for this. In addition to the freedom of cross-border provision of services in the internal market area, the license was a pass for the bank to open branches in other Member States. The authorities of the country have also taken over supervision of the cross-border activities of their banks.

The introduction of the passport was accompanied by an increased harmonization of prudential norms. Just like a decade later, the implementation of the Financial Services Action Plan (FSAP) to serve the benefits of the introduction of the monetary union. After 2008, regulatory changes in the EU were primarily related to the implementation of exit strategies from the financial and debt crisis. Due to their specific character, they will be discussed separately.

FUNCTIONING OF THE INTERNAL MARKET FOR FINANCIAL SERVICES IN THE CONTEXT OF TWO MAJOR ANTI-CRISIS PROJECTS

The dominant trend in the last decade has been the convergence of the rules for the functioning of financial institutions in the internal market. In the main degree, it was a response to the financial and debt crisis, which in some countries of the euro area had an exceptionally severe course.

Creating a single rulebook for the banking sector and their uniform application in EU countries was entrusted to the European Banking Authority (EBA), a member of the European system of financial supervisors[5]. This was done through the institution's adoption of binding technical standards and guidelines[6].

[4] Articles 52 and 62 TFUE.

[5] Recommendation of the European Council of 2009. For details see European Council, Presidency Conclusions, 11225/2/09 Rev. 2, Brussels, 18-19 June 2009.

[6] During the first five-year period, the Authority adopted over 160 standards and guidelines. See more EBA, Annual Report 2015, Publications Office of the European Union, 2015.

A few years later (in 2012) the convergence of regulations became part of a wider project, namely the banking union. Regulations in the banking sector covered three main areas: capital requirements for banks, protection of deposits and prevention and management of bank failures. Since the basic legislative instrument on the basis of which harmonization of regulations in the banking union takes place is a directive[7], it requires increased efforts to ensure uniform application of the rules[8]. Especially that not all banks in the EU are subject to uniform supervision by the European Central Bank (hereinafter the ECB). In April 2017, it was 125 banks originating from 19 EU member states belonging to the banking union (currently it is composed only of euro area countries) with 82% of banking assets of the euro area[9]. Among the activities undertaken in the Banking Union under the single supervisory mechanism, one can mention the stress test and asset quality assessment carried out in November 2014 (before the ECB took over supervisory functions), a horizontal review of corporate governance practices and Supervisory Review and Evaluation Process (SREP) in terms of capital requirements and risk management methods[10].

The structure and size of flows on the internal market for financial services will be shaped in the coming years also under the influence of another EU project called the union of capital markets. According to it until 2019 actions will be taken in the EU to shift financial intermediation towards capital markets in order to diversify financial markets in the EU. While the banking union based on the inter-risk division of risk is to be protected against idiosyncratic shocks, the capital union based on the intersectoral division of risk must safeguard financial markets against systemic risk caused by permanent asymmetric shocks[11]. Among the more specific objectives of the Capital Markets Union, there was an improvement in access to finance for start-ups and off-market businesses, improved access to public capital markets, support for infrastructure investments, and stimulation of investment inflows from institutional and retail investors, relieving banks' balance sheets and stimulating cross-border investments[12]. The first package of initiatives included provisions on securitization and prospectuses. The acts have been given the form of regulations which will ensure their immediate and uniform application in all Member States.

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7 The pillars of the unified set of banking union provisions are: IV directive and regulation on capital requirements (CRD IV and CRR, respectively), the revised directive on deposit guarantee schemes (DGS) and the bank resolution and resolution directive (BRRD).

8 More details on this subject in the EBA Report on the Convergence of Supervisory Practices, 14 July 2016.

9 EBC, Single Supervisory Mechanism, https://www.bankingsupervision.europa.eu.

10 See Julie Dickson, Will the Eurozone caucus on financial regulation? Speech by the Member of the Supervisory Board of the European Central Bank, at a lunch discussion organized by the Centre for European Reform, Morgan Stanley, London, 1 September 2015, https://www.bankingsupervision.europa.eu/press/speeches/date/2015/html/se150901.en.html., [access: 20.01.2017].

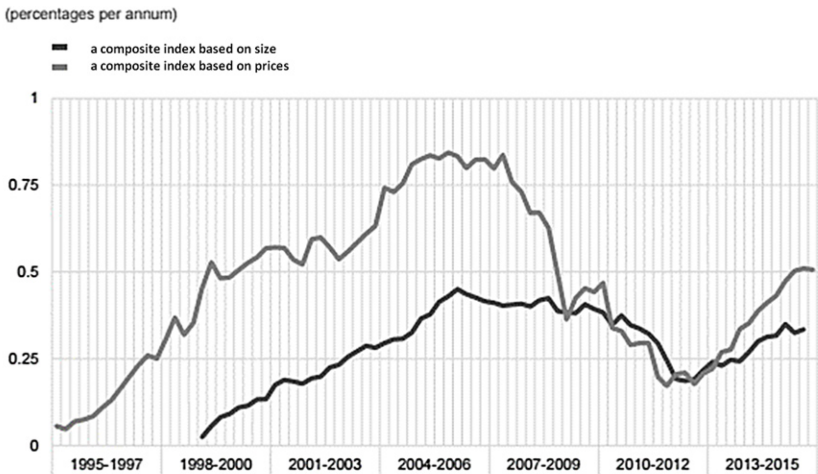
11 Diego Valiante, Europe's untapped capital market, 13 March 2016, http://voxeu.org/article/capital-market-union-europe, [access: 22.01.2017].

12 See European Commission, Creating a Capital Markets Union, Green Paper, COM / 2015/063 final.

THE STATE OF FINANCIAL MARKET INTEGRATION MEASURED BY ECB AGGREGATE INDICES

There is an inconsistency between *de jure* and*de facto* state of integration. Despite the abolition or reduction of barriers to trade in financial services, the integration of financial markets has in practice proved to be fragile. Such observations are led by observation of the level of the two collective indicators developed by the ECB to assess progress in the level of integration of financial markets in the euro area (Chart 1). The indices cover four basic segments of the financial market: money market, bonds, stocks and banking, with one indicator reflecting price convergence (type beta), the other one – transaction value.

Chart 1. FINTEC financial integration index for the euro zone in the period 1995 – Q1 2015.



Remarks: FINTEC *Financial Integration Composites.* The level of the index can be between 0 and 1, where 0 means lack of integration and 1 full integration.

Source: ECB, *Financial Integration in Europe*, April 2016, Chart A, p. 5.

The course of the curves shows that tightening the integration in the form of an increase in the value of cross-border transactions with simultaneous reduction of price differences in the financial markets of the euro area countries first proceeded in the period of introduction of the single currency and the financial services action plan and then again during the period of introducing the banking union.

During the financial crisis, however, there was a sharp increase in price divergence. After 10 years of the introduction of the euro, the differences in prices for financial services were again at a similar level, and over the next two years have increased.Therefore the integration measured by price convergence was especially fragile.The value of transactions on financial markets decreased clearly only as a result of the outbreak of the public finance crisis.Perhaps an index based on prices is not appropriate to track changes in the state of financial market integration?Financial markets, due to the imperfections that characterize them, have an unstable nature, which has now risen under the influence of the liberalization of international capital flows and the progress that has been made in the sphere of information and communication technologies.Explanations for dynamic changes in the price-based composite index should also be sought in the current structure of the internal market for financial services, which is further explored.

THE STRUCTURE OF THE INTERNAL MARKET FOR FINANCIAL SERVICES AND THE PLACE OF THE UK

Due to the availability of data the empirical analysis focuses on the euro zone, which is further justified in the fact that the share of banks in this zone in the total number of banks in the EU is around 70%[13].

Taking into account the assets structure of the entire financial sector in the euro zone, the main financial services provider in the internal market are monetary financial institutions, i.e. banks[14] (Chart 2). Their share in 2015 was about 48% and was higher by 9 pp. than the second on the list of 'Other financial institutions' including, in particular, investment funds.

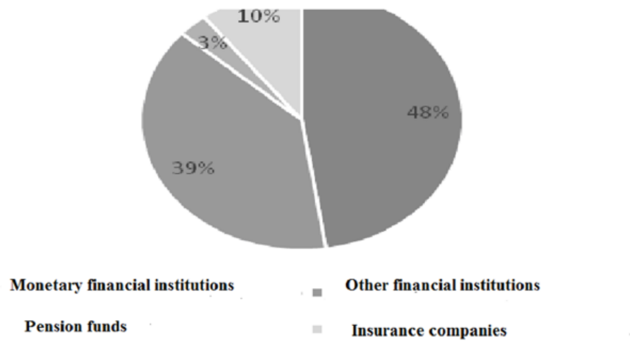
At the same time, the share of banks in comparison with 2008 decreased in all euro zone countries, with the exception of Portugal.The strongest decline occurred in Luxembourg and amounted to around 20 pp. In the entire euro zone, between 2012 and 2015, this share decreased by about 8 pp. with the simultaneous increase in the share of the 'Other financial institutions' category[15].

[13] As in Fig. 2.

[14] In the euro zone, the 'Monetary financial institutions' segment consists of credit institutions (banks) and money market funds, excluding the Eurosystem, where the share of banks in lending and deposit activities reaches nearly 100%. See ECB, Statistical Data Warehouse, http://sdw.ecb.europa.eu/browse.do?node=9691116, [access: 15.04.2017].

[15] ECB, Report on financial structures, October 2016.

Chart 2. The structure of the financial services market in euro zone in 2015
(% of total assets of the financial sector)



Source: ECB, Report on financial structures, October 2016, tab. 2.1, 2.2, 2.3, 2.4.

Banks were also the largest supplier of the main financing instrument for enterprises from the outside of the financial sector, i.e. loans with a value of up to 52% of GDP (Gross Domestic Product) of the euro zone in 2015. For comparison, quoted shares and debt securities at the same time were respectively 13% and 8% GDP[16].

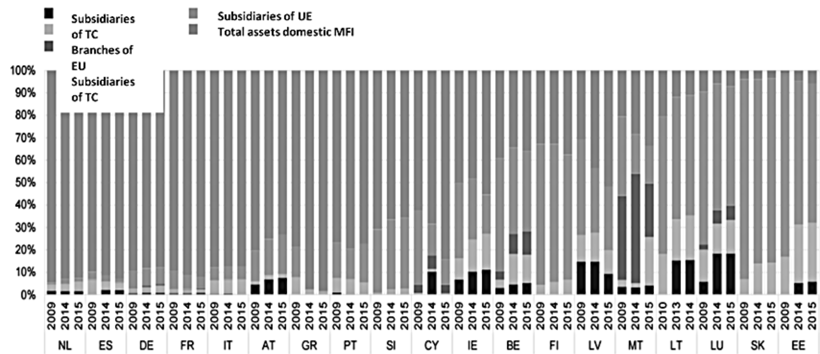
The decline in the importance of banks measured by the share of their assets in the entire financial sector is reflected in the shrinking of their involvement in financing enterprises. The comparison of accumulated transactions shows that this share decreased from around 70% in the years 2002-2008 to 50% in the period 2002 – Q1 2016.In the last seven years the clear departure of enterprises from this traditional form of financing in the EU was mainly caused by a smaller supply of loans related to deterioration of the situation in banks in the aftermath of the financial and debt crisis and tightened prudential norms[17]. The structure of enterprise financing was also influenced by changes in their preferences in this area.This was particularly influenced by the macroeconomic environment. At low interest rates, it became easier to raise capital from issuing securities[18].

In spite of this lasting tendency in the recent years to increase the importance of non-bank sources of financing, the level of the share of bank loans in financing enterprises in the entire analyzed period was twice as high as in the USA[19]. It should be emphasized that the change in the structure of external financing of enterprises in the euro zone took place in the conditions of halving the value of this financing between the first quarter of 2008 and the first quarter of 2016[20].

[16] Ibidem.
[17] Ibidem.
[18] ECB, The role of euro zone non-monetary financial institutions in financial intermediation, ECB Economic Bulletin, Issue 4 / 2016 – Article 1.
[19] ECB, Trends in the external financing structure of euro zone non-financial corporations, ECB Economic Bulletin, Issue 5 / 2016.
[20] Ibidem.

Against this background, let us look at the intensity of the existing links in the internal market.The analysis of the structure of banking assets by the type of credit institutions shows that the importance of banks from other EU countries on the markets of the euro zone countries varied (Chart 3). Their largest share was characterized by the banking systems of the new Member States.Luxembourg and Finland have also been included in this group.The largest economies of the euro zone were characterized by a clear domination of domestic banks. Interestingly, the branches of EU banks, which are representations created under a single license, had a larger share than subsidiaries in only a few eurozone countries, namely in the Netherlands, Spain and Italy.

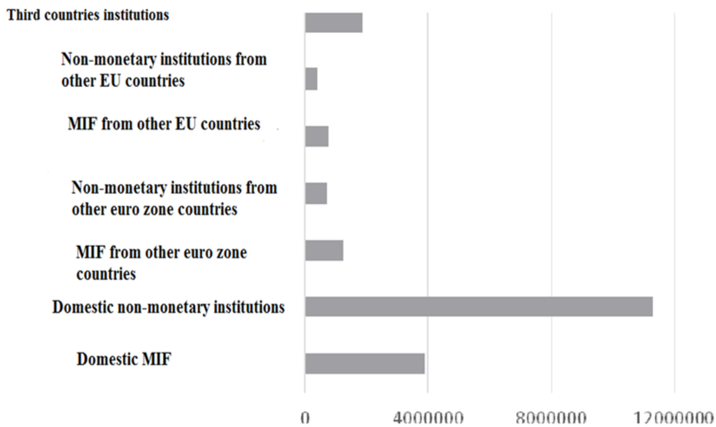
Chart 3. Structure of banking assets of euro zone countries by type of credit institutions in selected years (%)



Note: TC – third countries
Source: as in Fig. 2, Fig. 2.3, p. 24.

Domination of domestic transactions can also be seen in the geographical structure of bank loans (Chart 4). As at the end of 2016, it accounted for three-quarters of all bank loans in the euro zone countries. The share of transactions with partners from the euro zone and other EU countries amounted to 9% and 5% respectively. Attention is drawn to the difference between domestic transactions and foreign transactions involving entities from EU countries. While in the case of domestic transactions, the main partners of the euro zone banks are non-monetary institutions, in the case of cross-border activities, the majority of loans are interbank transactions. The share of domestic transactions with non-monetary institutions in total loans of euro zone banks at the end of 2016 amounted to 57%, nearly three times more than the share of domestic transactions with banks. The same proportion for intra-EU cross-border activities was 1:2.

Chart 4. Geographical structure of MFI * loans of the euro zone countries as at the end of the fourth quarter of 2016 (EUR trillion)



Note: MIF – monetary financial institutions

Source: https://www.ecb.europa.eu/stats/ecb_statistics/escb/html/table.en.html?id=JDF_BSI_MFI_DOMESTIC_CROSS_BORDER [access: 13.06.2017].

The British financial services industry is important for the EU's internal market.It is connected with the position of the London financial market on the international arena. According to the Global Financial Centers Index of September 2016, London[21] ranks first among the most important financial centers in the world[22]. Four more financial centers on the list located in EU Member States were on the 12th, 19th, 27th and 29th positions, and were respectively Luxembourg, Frankfurt, Munich and Paris.

For obvious reasons, the importance of the UK market to the rest of the EU is smaller than in the case of the reverse, but then only one country accounts for one tenth of the EU trade in financial services, which is higher than its share in total EU trade in services (Table 1). The EU is the UK's main trading partner. In 2014, the EU share in the British exports of financial services amounted to 42% and was by 5 pp. higher than the EU share in British exports of total services. The EU played a relatively smaller role in the case of British financial services imports. Its share in 2014 was at the level of 36% and was by 13 pp smaller than its share in the entire British imports of services.

[21] The London region generates half of the gross value added of the entire British financial services industry. G. Tyler, Financial Services: Contribution to the UK Economy, Economic Policy and Statistics Section, House of Commons Library, Briefing Paper, No 619331, March 2017.

[22] London maintained its position from the previous year, but the distance to the second on the New York list decreased mainly due to the lower rating of the former. The position in the ranking depends on the stability and quality of the business environment, the development of the financial market, infrastructure and human capital, and reputation. Most respondents mentioned Brexit among the most important factors currently affecting competitiveness related to the business environment and the development of the financial sector. See details: The Global Financial Centres Index 20, September 2016, http://www.longfinance.net/images/gfci/20/GFCI20_26Sep2016.pdf., [access: 27.02.2017].

Table 1. Share of mutual trade in EU and UK services in 2014, including financial services (%)

Specification	Export of services	Export of financial services	Import of services	Import of financial services
EU	9	10	8	10
UK	37	42	49	36

Source: Author's own calculations based on OECD Stat

The significance of the British market for the rest of the EU is even greater if the analysis is limited to turnover in financial services on the internal market (credit side). In 2014 the share of Great Britain amounted to 19% and over the last five years was at a similar level (Table 2). Given that the absolute value of EU financial services to the UK market has been increasing throughout the period considered, this means that the pace of this increase was similar for all financial services in the internal market. A similar tendency characterized the entire EU export of financial services. On the basis of incomplete data on the value of UK supplies to the internal market, it can be concluded that in 2013-2015 they were characterized by an upward trend and the dynamics of change was greater than for the whole British exports of financial services, leading to an increase in the share of the internal market in 2015 to 50%. A similar trend applied to all British exports, with the increase in the share of the internal market being less dynamic. The higher share of the internal market in the case of British exports of financial services is more important than its share in the British sales of all services (41% vs. 37% in 2014). However, this level was below the level of the analogical indicator for the entire EU by 14 pp. (55% for both financial services exports and total services exports).

Table 2. Exports of EU and Great Britain services in 2010-2015 (EUR million)

Specification	2010	2011	2012	2013	2014	2015
EU						
Total services export	1 726 112	1 946 313	1 937 034	2 095 406	2 235 789	..
internal market	971 894	1 090 959	1 062 395	1 139 913	1 220 956	1 100 595
third countries	754 216	855 353	874 645	955 497	1 014 835	899 709
Financial services export	137 637	153 576	160 231	166 084	174 802	..
internal market	78 088	84 456	87 281	89 595	96 615	110 169
UK	13734	14841	15570	16305	17937	..
third countries	59 547	69 120	72 949	76 489	78 186	83 764
UK						
Total services export	205 447	217 666	243 482	252 941	272 613	311 515
internal market	82 610	88 508	96 494	90 451	100 823	122 681
third countries	122 838	129 158	146 988	162 491	171 791	188 834
Financial services export			57939	60 041	58 995	61 062

internal market	24 163	..	..	24 256	25 068	30 681
third countries	..	..	..	34 739	35 993	..

Notes: EBOPS 2010; estimates for 2015.
Source: OECD.Stat

The UK's specialization in financial services has one more important dimension for its mutual relations with the EU. These relationships are stronger than it results from the analysis of bilateral trade flows included in gross values. Great Britain is characterized by the highest share of value added in EU countries, and thus the value of domestic inputs of production factors used in export production for gross exports[23].

British financial services as an indirect contribution participate in creating value chains of other industrial and service EU member states. In 2011, 60% of the EU demand for British goods and services was in demand for goods being part of such chains[24].

EU RULES ON TRADE IN FINANCIAL SERVICES WITH THIRD COUNTRIES

To what extent the UK's exit from the EU will negatively affect the integration of financial markets in the EU will depend on the shape of the negotiated conditions for bilateral relations between the EU and Great Britain. At the end of the spectrum of possible trade agreements regulating economic exchange between the EU and third countries, there is on the one hand the 'Norwegian model', thus a member of the European Economic Area (EEA), and on the other – the 'American model' based on the provisions of the GATS agreement binding all WTO members (Table 3). Only the first type of contract gives full access to the internal market for financial services. This is possible because, firstly, EEA countries are covered by all the freedoms of the internal market, including the freedom to provide services. Other third countries, however, benefit the most from the free movement of capital. Secondly, the provision of services in the internal market under the Norwegian model is subject to the EU rules on the internal market, which include the abovementioned principles of single license, minimum harmonization and mutual recognition. It is worth noting that including non-EU countries in the internal market does not mean admitting them to the decision making process concerning the internal market (in this case EU institutions and EU Member States), or to EU dispute resolution institutions against the background of applying EU law (Court of Justice, Solvit).

[23] OECD, Interconnected economies: Benefiting from global value-chains, 2013.
[24] Centre for European Reform, The economic consequences of leaving the EU, April 2016.

Table 3. Access to the internal market within the main models of trade agreements concluded between the EU and third countries

Specification	EEA UE-Norway	FTZ UE-Canada	CU UE-Turcja	WTO UE-USA
Access to internal market	in the scope of goods limited by the lack of a customs union, full in the scope of other freedoms	freedom of movement of goods, except for sensitive farms	freedom of movement of capital and goods except for unprocessed agricultural activities	access based on MFN and NT; in the case of services, access to the market in the form of a prohibition of certain restrictions
Compliance with the EU acquis in the field of the internal market	yes	no	no	no

Notes: EEA- European Economic Area, CU – customs union, FTZ – free trade, MFN – most-favored-nation, NT – national treatment.

Source: Author's own study.

Compared with the first model the access to the EU internal market under the GATS rules is much more limited and, what is also important, it is diversified within the EU. For services, WTO Member States may apply exceptions to most-favored nation treatment, national treatment and market access. A review of specific commitments made under the GATS by the EU and its Member States shows that the main barriers for Foreign Service providers in the trade in financial services are constraints in market access, and to a lesser extent exceptions to the national treatment. The commitments made by EU countries under the GATS are not uniform. For example, in Portugal, the opening of a bank outside the EU requires the consent of the ministry of finance depending on the assessment whether this will improve the efficiency of the Portuguese banking system and significantly affect the internationalization of the Portuguese economy[25]. We will not find such a requirement in other EU countries. Essentially, the comparisons between the offers of new and old EU Member States with regard to the provision of banking services show that, while all EU countries have made almost no commitments as to the 4th way of providing services, in the case of the other three ways old members have more liberalized access to their market. It should be added that this multilateral agreement, which is GATS, in the case of financial services provides for the possibility of restricting service activities due to the protection of service recipients (e.g. investors, depositors) and the integrity and stability of the domestic financial system, which cannot lead to repeal previously declared WTO member's commitments[26].

[25] WTO, European Communities and their Member States, Schedule of Specific Commitments Supplement 4, Revision 1.

[26] See GATS, Annex on financial services.

Banking service providers from third countries that have opened subsidiaries in EU Member States may use the passport on the freedom to provide financial services in the internal market. An example of this is the operation of subsidiaries of Swiss banks that provide services in the internal market from the territory of Great Britain[27]. An approval by the supervisory authorities is required for undertaking activities in the EU area by a bank from a third country. In the case of the euro area, this function is performed by the ECB. If EU-UK relations are based on the American model, financial institutions operating in the United Kingdom, both British and non-EU, will have to apply for approval. This applies to a large part of the 40 banking groups rooted in the UK and providing services in the internal market[28]. For these institutions, the continuation of banking operations in the internal market will involve the transfer of at least part of their operations to the territory of one of the EU Member States and the fulfillment of prudential requirements therein.

In the light of the announcement of one of the ECB representatives, an alternative solution in the form of a facade company will not be accepted in the euro area by the supervisor[29]. An analogous problem, with proportions, will apply to banks operating from the territory of the EU continental European countries on the British market on the basis of a single license. From the side of banking operations – as the main 'candidates' to transfer from the City of London to the euro zone countries,euro clearing operations, as well as risk management and internal control are mentioned[30].

CONCLUSIONS

1. Due to the role of the British financial market in the internal market, there is a high risk that Brexit will prove a negative shock for the integration of financial services markets in the EU.This is linked to the United Kingdom having a comparative advantage and specialization in trading in financial services on the internal market. In addition, the British economy links in this area with the other EU members in the front of the production chain.
2. Among the forces influencing the internal market for financial services in the direction opposed to Brexit, the first priority is the integration of policy in the economic and monetary union. The convergence of regulations should lead to an increase in the turnover of banking services in the internal market as a result of increased market participants' confidence in the system, lower costs incurred by banks in adapting to prudential requirements, as well as the level-

[27] J.P. Douglas-Henry, T. Katz, H. Evans, S. Plant , A. Kamerling, C. Macpherson, Brexit: what impact might leaving the EU have on the UK's financial services industry?, 27 June 2016, https://www.dlapiper.com/en/uk/insights/publications/2015/10/banking-disputes-quarterly/brexit/, [access: 17.05.2017].

28 See Sabine Lautenschläger, The European banking sector – growing together and growing apart, Speech by Member of the Executive Board of the ECB and Vice-Chair of the Supervisory Board of the ECB, at the LSE German Symposium, London, 2 March 2017, https://www.ecb.europa.eu/press/key/date/2017/html/sp170302.en.html, [access: 30.07.2017].

[29] Ibidem.

[30] Ibidem.

ing of competitive conditions on the market.

3. Strengthening of integration can be expected primarily in the area of the banking union, where the approximation of market surveillance mechanisms, bank restructuring and liquidation has taken the form of uniform solutions with the transfer of competences in the field of supervision and risk sharing to the central level. Especially that the main entities behind the integration of financial services markets are banks. There are a lot of transactions on the internal market for financial services, in particular with the participation of enterprises, although their role in this area is regularly decreasing.
4. The internal market for financial services seems to be characterized by a large untapped potential. This may be demonstrated by the size and structure of cross-border banking transactions, which differs in this respect from domestic transactions. At present, intra-EU cross-border banking transactions constitute a relatively small percentage of all transactions of EU banks and boil down mainly to operations on the interbank market. The latter are characterized by less permanent ties than the relationships between banks and entities from outside the financial sector, i.e. enterprises and households.
5. In this context one may ask the following questions: Do financial markets need to be embedded within the framework of financial supervision for the durability of links[31]?Is the unstable nature of financial markets the main determinant weighing on the levels of the measure of financial market integration? To the traditional imperfections of the financial markets in the form of asymmetry of information and the temptation of abuse in the last dozen or so years, speculative movements of hot money have intensified due to the liberalization of international capital flows and progress in the sphere of information and communication technologies. The question remains also open: Is the current structure of cross-border banking transactions the final model or is it a temporary stage in the development of an integrated internal market for banking services?

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Summary: The purpose of this study is to identify the main determinants that may influence the impact of Brexit on the process of integrating financial markets in the EU. In particular, it elaborates on the problem of providing financial services under alternative modes of access to the EU internal market. Two key determinants were discussed that may influence the impact of Brexit on the EU financial markets in an opposite direction, i.e. the linkages between the British financial market and the EU internal market as well as a deeper financial integration in the EMU.

Key words: Brexit, European Union, financial markets

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Streszczenie: Celem analizy jest identyfikacja głównych czynników, od których zależeć będzie wpływ Brexitu na integrację rynków finansowych w UE. W szczególności poruszono problem świadczenia usług w ramach alternatywnych warunków dostępu do rynku wewnętrznego UE. Dwie główne determinanty oddziałujące na wpływ Brexitu w przeciwstawnym kierunku zostały omówione, tj. powiązania pomiędzy brytyjskim rynkiem finansowym a rynkiem wewnętrznym UE oraz zacieśniająca się integracja w ramach UGW.

Słowa kluczowe: Brexit, Unia Europejska, rynki finansowe